

**REPORT OF THE AUDIT OF THE  
LOGAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LOGAN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Logan County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances decreased by \$210,393 from the beginning of the year, resulting in a cash surplus of \$2,900,613 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$4,920,000. Future collections of \$7,830,570 are needed to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$147,000 as of June 30, 2002. Future principal and interest payments of \$155,168 are needed to meet these obligations.

Notes payable principal totaled \$71,741 as of June 30, 2002. Future principal and interest payments of \$81,631 are needed to meet these obligations.

#### **Report Comment:**

- The Fiscal Court Should Implement Policies To Monitor Subrecipient's Federal Funds

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable John H. Guion, III, Logan County Judge/Executive

Members of the Logan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Logan County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Logan County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Logan County Tourist and Convention Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Logan County Tourist and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Logan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable John H. Guion, III, Logan County Judge/Executive  
Members of the Logan County Fiscal Court

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of Logan County, Kentucky as of June 30, 2002, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2003 on our consideration of Logan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Logan County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The Fiscal Court Should Implement Policies To Monitor Subrecipient's Federal Funds

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 7, 2003



LOGAN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

John H. Guion, III	County Judge/Executive
Frank Harris Dockins, III	Magistrate
Wyatt Ezell, Jr.	Magistrate
Starling R. Murphy	Magistrate
Harold Prince	Magistrate
Curtis L. Watkins	Magistrate
Jimmy L. White	Magistrate

**Other Elected Officials:**

Thomas A. Noe, III	County Attorney
Bill Jenkins	Jailer
Kenny Chapman	County Clerk
Jim Nealy	Circuit Court Clerk
Dannie Blick	Sheriff
Ben Brown	Property Valuation Administrator
Phil Gregory	Coroner

**Appointed Personnel:**

Elaine Jenkins	County Treasurer
Karen Taylor	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

LOGAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,285,887	\$ 103,577	\$ 28,091	\$ 21,019
Investments	1,093,408		418,751	
Total Assets	<u>\$ 2,379,295</u>	<u>\$ 103,577</u>	<u>\$ 446,842</u>	<u>\$ 21,019</u>
<u>Other Resources</u>				
Amounts to be Provided for In Future Years:				
Note Payable	\$ 71,741	\$	\$	\$
Capital Lease	147,000			
Bond Payments			4,473,158	
Total Other Resources	<u>\$ 218,741</u>	<u>\$ 0</u>	<u>\$ 4,473,158</u>	<u>\$ 0</u>
Total Assets and Other Resources	<u><u>\$ 2,598,036</u></u>	<u><u>\$ 103,577</u></u>	<u><u>\$ 4,920,000</u></u>	<u><u>\$ 21,019</u></u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Totals  
(Memorandum Only)  
Primary  
Government

---

\$ 1,438,574  
1,512,159

\$ 2,950,733

\$ 71,741  
147,000  
4,473,158

\$ 4,691,899

\$ 7,642,632

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Debt Service	Enterprise
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease (Note 6)	\$ 147,000	\$	\$	\$
Bonds:				
Series 1998 (Note 5)			4,920,000	
Notes Payable (Note 7)	71,741			
Total Liabilities	\$ 218,741	\$ 0	\$ 4,920,000	\$ 0
<u>Equity</u>				
Retained Earnings:				
Reserved	\$	\$	\$	\$ 21,019
Fund Balances:				
Unreserved	2,379,295	103,577		
Total Equity	\$ 2,379,295	\$ 103,577	\$ 0	\$ 21,019
Total Liabilities and Equity	\$ 2,598,036	\$ 103,577	\$ 4,920,000	\$ 21,019

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Totals  
(Memorandum Only)  
Primary  
Government

\$ 147,000

4,920,000

71,741

\$ 5,138,741

\$ 21,019

2,482,872

\$ 2,503,891

\$ 7,642,632

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LOGAN COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,020,292	\$ 3,124,581	\$ 1,449,751	\$ 723,223
Jail Canteen Receipts	107,841			
Other Financing Sources:				
Transfers In	1,822,698	399,323		975,000
Kentucky Advance Revenue Program	1,150,200	1,117,300	32,900	
Total Cash Receipts	<u>\$ 9,101,031</u>	<u>\$ 4,641,204</u>	<u>\$ 1,482,651</u>	<u>\$ 1,698,223</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,796,376	\$ 2,481,017	\$ 1,366,647	\$ 1,355,892
Jail Canteen Expenditures	105,916			
Other Financing Uses:				
Transfers Out	1,822,698	1,018,000	103,323	340,375
Bonds:				
Principal Paid	110,000			
Interest Paid	240,245			
Borrowed Money Repaid	85,989	79,000		
Kentucky Advance Revenue Program Repaid	1,150,200	1,117,300	32,900	
Total Cash Disbursements	<u>\$ 9,311,424</u>	<u>\$ 4,695,317</u>	<u>\$ 1,502,870</u>	<u>\$ 1,696,267</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (210,393)	\$ (54,113)	\$ (20,219)	\$ 1,956
Cash Balance - July 1, 2001	<u>3,111,006</u>	<u>346,098</u>	<u>620,864</u>	<u>7,810</u>
Cash Balance - June 30, 2002	<u>\$ 2,900,613</u>	<u>\$ 291,985</u>	<u>\$ 600,645</u>	<u>\$ 9,766</u>

\* Cash Balance Includes Investments

LOGAN COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

General Fund Types			Special Revenue Fund Type	Debt Service Fund Type	Enterprise Fund Type
Local Government Economic Assistance Fund	Solid Waste	Public Hospital Corporation Fund	Emergency 911 Fund	Public Properties Corporation Sinking Fund	Jail Canteen Fund
\$ 73,608	\$ 215,630	\$ 49,904	\$ 364,086	\$ 19,509	\$ 107,841
			108,000	340,375	
<u>\$ 73,608</u>	<u>\$ 215,630</u>	<u>\$ 49,904</u>	<u>\$ 472,086</u>	<u>\$ 359,884</u>	<u>\$ 107,841</u>
\$ 105,435	\$ 88,438	\$	\$ 398,947	\$	\$ 105,916
	65,000	296,000		110,000	
				240,245	
	6,989				
<u>\$ 105,435</u>	<u>\$ 160,427</u>	<u>\$ 296,000</u>	<u>\$ 398,947</u>	<u>\$ 350,245</u>	<u>\$ 105,916</u>
\$ (31,827)	\$ 55,203	\$ (246,096)	\$ 73,139	\$ 9,639	\$ 1,925
124,042	143,999	1,381,458	30,438	437,203	19,094
		*		*	
<u>\$ 92,215</u>	<u>\$ 199,202</u>	<u>\$ 1,135,362</u>	<u>\$ 103,577</u>	<u>\$ 446,842</u>	<u>\$ 21,019</u>

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STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPE



LOGAN COUNTY  
STATEMENT OF CASH  
FLOWS-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 107,019
Interest Received on Bank Accounts	822
Payments to Suppliers	<u>(105,916)</u>
Net Cash Provided By Operating Activities	<u>\$ 1,925</u>
Net Increase in Cash	\$ 1,925
Cash and Cash Equivalents - Beginning	<u>19,094</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 21,019</u></u>

LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Logan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Logan County Public Properties Corporation and Logan County Tourist and Convention Commission as part of the reporting entity.

Logan County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC: legally entitled to the PPC's resources as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Logan County's financial statements.

Logan County Tourist and Convention Commission

On December 29, 1999, the Logan County Fiscal Court (Fiscal Court) established the Logan County Tourist and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Logan County. The Commission is composed of seven members appointed by the Logan County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 11, 2000, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses." The Commission is to annually submit a request for funds to the Fiscal Court. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit.



Note 1. Summary of Significant Accounting Policies (Continued)

Logan County Tourist and Convention Commission (Continued)

The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Commission should be presented discretely. The Commission did have financial activity during fiscal year 2002 and an audit report issued by CPA will be included in Appendix B. of this audit.

Additional - Logan County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Logan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Logan County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Logan County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Solid Waste Fund, and Public Hospital Corporation Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Logan County Special Revenue Fund Type includes the following county fund: Emergency 911 Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Logan County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Logan County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Sinking Fund (Debt Service Fund Type) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Logan County Fiscal Court: East Logan County Water District and North Logan County Water District, but the fiscal court's accountability for these organizations does not extend beyond making the appointments.

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The Logan County Fiscal Court is a participant with the cities of Adairville, Auburn, Lewisburg, and Russellville in a joint venture to operate the Joint City-County Planning Commission and Board of Adjustment (Planning Commission). The Planning Commission is governed by an eleven-member board composed of five appointees from the Logan County Fiscal Court, three appointees from City of Russellville, and one appointee each from City of Adairville, City of Auburn, and City of Lewisburg. The Fiscal Court and each city are each obligated as follows: "All costs incurred by the Commission, not met by Federal and/or State monies, shall be paid by the participating cities and the county on a percentage rate according to the number of members appointed to the commission by each of the participating entities."

H. Jointly Governed Organization

A regional government or other multigovernmental arrangement that is governed by representatives from each of the governments that creates the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Logan County Fiscal Court (Fiscal Court), in conjunction with City of Russellville (City), has created the Russellville-Logan County Airport Board (Airport Board). The Airport Board is composed of three members each from the Fiscal Court and City. However, on September 23, 1997, the Fiscal Court and the City guaranteed repayment of loans in the amount of \$120,000 at an interest rate of 2% per annum. The loans are for a period of ten years for the purpose of constructing capital improvements.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
Repurchase Agreement	\$ 1,093,409	\$	\$	\$ 1,093,409	\$ 1,093,409
U.S. Government Agency Obligations	<u>418,750</u>			<u>418,750</u>	<u>426,626</u>
Totals	<u>\$ 1,512,159</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,512,159</u>	<u>\$ 1,520,035</u>

Note 4. Capital Lease Agreement Repaid

On September 15, 1992, the Logan County Fiscal Court entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust for the purpose of acquiring a Health Department Building. The principal amount borrowed was \$54,000 with an interest rate of 4.825%. The outstanding balance and interest of \$12,336 was paid on February 1, 2002.

Note 5. Bonds Payable

On September 1, 1998, the Logan County Public Properties Corporation issued first mortgage bonds to provide funding for the construction of the Logan County Jail. The total bond issue was in the amount of \$5,140,000, with interest rates varying between 4.25% and 5.1%. Interest is payable on March 1 and September 1 of each year. The bond issue provides for early redemption, with 30 days notice, on or after September 1, 2008. Bonds outstanding as of June 30, 2002 totaled \$4,920,000. Debt service requirements are:

Fiscal Year Ended June 30	Principal	Interest
2003	\$ 115,000	\$ 235,464
2004	125,000	230,364
2005	130,000	224,945
2006	135,000	219,314
2007	140,000	213,436
2008-2012	820,000	964,418
2013-2017	1,055,000	745,445
2018-2022	1,375,000	443,828
2023-2025	1,025,000	80,198
Totals	<u>\$ 4,920,000</u>	<u>\$ 3,357,412</u>

Note 6. Capital Lease Agreement

The county entered into the following lease agreement for the purchase of 911 Equipment on April 26, 1999 with a maturity date of January 20, 2004. The principal amount borrowed was \$275,000. On February 8, 2000 the county borrowed an additional \$55,000. The interest rate was 4.02 percent. The principal amount outstanding as of June 30, 2002 was \$147,000. Capital lease payment requirements are:

Fiscal Year Ended June 30	Principal	Interest
2003	\$ 70,000	\$ 5,914
2004	77,000	2,254
Totals	<u>\$ 147,000</u>	<u>\$ 8,168</u>

Note 7. Note Payable

On July 1, 2000, the Logan County Fiscal Court entered into a loan agreement with Kentucky Infrastructure Authority for \$175,917. The fiscal court actually drew down \$78,731. The loan was for the purpose of establishing a comprehensive recycling program for Logan County, including the cities of Russellville, Adairville, Auburn, and Lewisburg. The principal was \$78,731 at 2.60% interest for a period of ten years, interest and principal paid semi-annually. The principal outstanding as of June 30, 2002, was \$71,741. Debt service requirements:

Fiscal Year Ended June 30	Principal	Interest
2003	\$ 7,173	\$ 1,959
2004	7,360	1,757
2005	7,553	1,549
2006	7,751	1,336
2007	7,954	1,118
2008-2011	33,950	2,171
Totals	<u>\$ 71,741</u>	<u>\$ 9,890</u>

Note 8. Contingencies

A. Russellville Rural Volunteer Fire Department

On September 10, 2000, the Russellville Rural Volunteer Fire Department of Logan County borrowed \$112,881 from the Kentucky Fire Commission/Fire Rescue Training for the purchase of radio's, protective clothing and repair to the 1995 truck with 12 annual payments of \$11,340. On January 9, 2001, the Logan County Fiscal Court agreed to guarantee payment of \$3,090, the portion of the annual payment that exceeds Russellville Rural Fire Department's State Aid Grant of \$8,250, if for any reason the fire department is unable to meet this obligation.

B. Russellville-Logan County Airport

On September 23, 1997, the Logan County Fiscal Court and the Russellville City Council agreed to guarantee repayment of a loan made to the Russellville-Logan County Airport Board to repay loans made by the Auburn Banking Company and the Kentucky Airport Development Fund, as well as for the construction of capital improvements. The principal borrowed was \$120,000 at an interest rate of 2% per annum, to be financed for 10 years. As of June 30, 2002, the Russellville-Logan County Airport Board did not appear to be in default on the loan.

Note 9. Insurance

For the fiscal year ended June 30, 2002, Logan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



LOGAN COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 2,949,745	\$ 3,124,581	\$ 174,836
Road and Bridge Fund	1,457,248	1,449,751	(7,497)
Jail Fund	695,958	723,223	27,265
Local Government Economic Assistance Fund	64,065	73,608	9,543
Solid Waste	123,500	215,630	92,130
Special Reserve	54,846	49,904	(4,942)
<u>Special Revenue Fund Type</u>			
Emergency 911 Fund	<u>344,180</u>	<u>364,086</u>	<u>19,906</u>
Totals	<u>\$ 5,689,542</u>	<u>\$ 6,000,783</u>	<u>\$ 311,241</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,689,542
Add: Budgeted Prior Year Surplus			2,586,427
Less: Other Financing Uses			<u>(424,692)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,851,277</u>

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SCHEDULE OF OPERATING REVENUE



LOGAN COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 1,508,040	\$ 1,148,234	\$ 359,806	\$
In Lieu Tax Payments	99,336	99,336		
Licenses and Permits	201,755	201,755		
Intergovernmental Revenues	3,885,288	3,885,288		
Charges for Services	21,517	21,517		
Miscellaneous Revenues	129,472	127,267	2,205	
Interest Earned	174,884	153,300	2,075	19,509
Total Operating Revenue	<u>\$ 6,020,292</u>	<u>\$ 5,636,697</u>	<u>\$ 364,086</u>	<u>\$ 19,509</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



LOGAN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,480,489	\$ 2,234,092	\$ 246,397
Protection to Persons and Property	1,236,856	1,216,948	19,908
General Health and Sanitation	128,951	115,004	13,947
Social Services	13,600	9,804	3,796
Recreation and Culture	63,553	41,667	21,886
Roads	1,558,043	1,155,192	402,851
Airports	14,667	14,667	
Debt Service	5,106	18,755	(13,649)
Capital Projects	250,000	73,440	176,560
Administration	1,676,832	517,860	1,158,972
Total Operating Budget - General Fund Types	\$ 7,428,097	\$ 5,397,429	\$ 2,030,668
Other Financing Uses:			
Borrowed Money-			
Note Payable - Principal	8,892	6,990	1,902
Transfers to Public Property			
Corporation Fund	336,800	340,375	(3,575)
Capital Lease Agreement-			
Principal on Lease-			
County Health Building	12,000	12,000	
911 Equipment	67,000	67,000	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 7,852,789</u>	<u>\$ 5,823,794</u>	<u>\$ 2,028,995</u>

LOGAN COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

<u>Expenditure Categories</u>	<u>SPECIAL REVENUE FUND TYPE</u>		
	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Protection to Persons and Property	\$ 332,155	\$ 321,564	\$ 10,591
Administration	<u>91,025</u>	<u>77,383</u>	<u>13,642</u>
 TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	 <u>\$ 423,180</u>	 <u>\$ 398,947</u>	 <u>\$ 24,233</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable John H. Guion, III, Logan County Judge/Executive  
Members of the Logan County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Logan County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 7, 2003. We did not audit the financial statements of the Logan County Tourist Commission. Other auditors whose reports have been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Logan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 7, 2003



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable John H. Guion, III, Logan County Judge/Executive

Members of the Logan County Fiscal Court

**Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133**

**Compliance**

We have audited the compliance of Logan County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Logan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Logan County's management. Our responsibility is to express an opinion on Logan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Logan County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Logan County's compliance with those requirements.

As described in item 2002-1, in the accompanying schedule of findings and questioned costs, Logan County did not comply with the requirement regarding subrecipient monitoring that is applicable to its U.S. Department of Transportation, Surface Transportation Program. Compliance with this requirement is necessary, in our opinion, for Logan County to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Logan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Logan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Logan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Logan County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

Reference 2002-1

- The Fiscal Court Should Implement Policies To Monitor Subrecipient's Federal Funds

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 7, 2003

## FINDINGS AND QUESTIONED COSTS



LOGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Logan County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Logan County were disclosed during the audit.
4. One reportable condition disclosed during the audit of the major federal awards programs is reported in the Independent Auditor's Report. The condition was reported as a material weakness.
5. The auditor's report on compliance for the audit of the major federal awards programs for Logan County expresses a qualified opinion.
6. Audit findings relative to the major federal awards programs for Logan County are reported in Part C of this schedule.
7. The program tested as major program was: Department of Transportation - Surface Transportation Program.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Logan County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

The Fiscal Court Should Implement Policies To Monitor Subrecipient's Federal Funds

The Logan County Fiscal Court received federal funds (U.S. Department of Transportation, Surface Transportation Program) from the Commonwealth of Kentucky Transportation Cabinet. The Logan County Fiscal Court passed these federal funds to Shakertown Revisited for restoration projects and land acquisition. The fiscal court was responsible for monitoring all aspects of compliance of the subrecipient. The fiscal court did monitor expenditures, requiring supporting documentation for all draw down requests, but did not monitor other areas of compliance. The fiscal court had no internal controls in place to allow for the monitoring of subrecipient activities other than expenditures.

LOGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2002  
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT (Continued)

The Fiscal Court Should Implement Policies To Monitor Subrecipient's Federal Funds (Continued)

Section 400(d) of OMB Circular A-133 places the following responsibilities on pass through entities:

- a. Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass through entity.
- b. Monitor activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals were achieved.
- c. Maintain subrecipients' report submissions (or other written notification when the subrecipient is not required to submit a reporting package) on file for at least three years from the date received.

We recommend the Logan County Fiscal Court establish written policies to:

- a. Set responsibility and provide procedures for the periodic monitoring, verification, and reporting of program progress and accomplishments.
- b. Enter into a written contract stating the responsibilities of the subrecipient, which contain provisions for appropriate sanctions if the subrecipients fail to comply with program or audit requirements.
- c. Require and review periodic subrecipient award reports.
- d. Maintain on file subrecipients award reports.

*County Judge/Executive John Guion, III Response:*

*The Fiscal Court will begin the implementation of the required monitoring procedures as specified for subrecipient handling of Federal Funds.*



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



LOGAN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Community Oriented Policing Program (CFDA #16.710)		\$ 4,714
Community Oriented Policing Hiring Program (CFDA #16.592)		53,041
<u>U.S. Department of Transportation</u>		
Passed-Through State Transportation Cabinet:		
Surface Transportation Program- (CFDA #20.205)	C-01327623	272,408
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)		404
Total Cash Expenditures of Federal Awards		<u>\$ 330,567</u>

LOGAN COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis of accounting

Note 2 - The federal expenditures for the U.S. Department of Transportation - Surface Transportation Program includes funds transferred to the following subrecipient.

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-through Grant Amount</u>
Shakertown Revisited	C-01327623	<u>\$ 272,408</u>

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

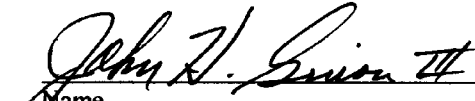
LOGAN COUNTY FISCAL COURT

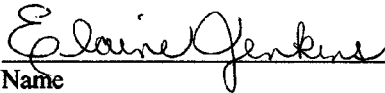
For The Fiscal Year Ended June 30, 2002

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
LOGAN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

The Logan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer

LOGAN COUNTY TOURISM AND CONVENTION COMMISSION AUDIT

A COMPONENT UNIT OF LOGAN COUNTY KENTUCKY

Audit As Of June 30, 2002

# **LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**

**A COMPONENT UNIT OF  
LOGAN COUNTY, KENTUCKY**

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## **FINANCIAL STATEMENTS**

**June 30, 2002**



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## INDEPENDENT AUDITORS' REPORT

Commissioners  
Logan County Tourist and  
Convention Commission  
Russellville, Kentucky

We have audited the accompanying general purpose financial statements of **Logan County Tourist and Convention Commission**, a component unit of Logan County, Kentucky, (the "Commission") as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Logan County Tourist and Convention Commission**, a component unit of Logan County, Kentucky, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2002 on our consideration of the Commission's internal control over financial

Commissioners  
Logan County Tourist and Convention Commission

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reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Holland CPAs, PSC*

Russellville, Kentucky  
October 23, 2002

**LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**BALANCE SHEET**  
**June 30, 2002**

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**ASSETS**

CASH .....	\$	16,787
TAX RECEIVABLE .....		<u>5,971</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>22,758</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable .....	\$	2,248
<b>TOTAL LIABILITIES</b>		<u>2,248</u>
<b>FUND BALANCE</b> .....		<u>20,510</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b><u>22,758</u></b>

*The accompanying notes are an integral part of the financial statements.*

**LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE**  
**For the Year Ended June 30, 2002**

**REVENUES**

Taxes .....	\$ 28,299
Intergovernmental — state .....	1,423
Other income .....	58
<b>TOTAL REVENUES</b>	<b>29,780</b>

**EXPENDITURES**

Advertising and public relations .....	4,565
Clerical support .....	5,494
Grants .....	18,397
Office supplies .....	643
Event expense .....	1,845
<b>TOTAL EXPENDITURES</b>	<b>30,944</b>

<b>DEFICIT OF REVENUES OVER EXPENDITURES</b> .....	(1,164)
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<b>FUND BALANCE — JULY 1, 2001</b> .....	21,674
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<b>FUND BALANCE — JUNE 30, 2002</b>	<b>\$ 20,510</b>
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*The accompanying notes are an integral part of the financial statements.*

**LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2002**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Taxes .....	\$ 30,000	\$ 28,299	\$ (1,701)
Intergovernmental — state .....	0	1,423	1,423
Other income .....	1,000	58	(942)
<b>TOTAL REVENUES</b>	<u>31,000</u>	<u>29,780</u>	<u>(1,220)</u>
<b>EXPENDITURES</b>			
Advertising and public relations .....	5,000	4,565	435
Grants .....	15,850	18,397	(2,547)
Office supplies/clerical support .....	10,150	6,137	4,013
Event expense .....	0	1,845	(1,845)
<b>TOTAL EXPENDITURES</b>	<u>31,000</u>	<u>30,944</u>	<u>56</u>
<b>DEFICIT OF REVENUE OVER EXPENDITURES .....</b>	<b>0</b>	<b>(1,164)</b>	<b>(1,164)</b>
<b>FUND BALANCE — JULY 1, 2001 .....</b>	<b>0</b>	<b>21,674</b>	<b>21,674</b>
<b>FUND BALANCE — JUNE 30, 2002</b>	<b><u>\$ 0</u></b>	<b><u>\$ 20,510</u></b>	<b><u>\$ 20,510</u></b>

*The accompanying notes are an integral part of the financial statements.*

**LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2002**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**NATURE OF OPERATIONS**

The *Logan County Tourist and Convention Commission* (the "Commission") was created by ordinance 99-150-1 and 00-150-2 under the provisions of KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Logan County, Kentucky. The Commission provides resources to events in Logan County that promote tourism in Logan County.

**REPORTING ENTITY**

The Commission is governed by a seven member board (the "Board"). The criteria for determining the Commission as a component unit of Logan County, Kentucky, the primary government, as set forth in GASB No. 14, *The Financial Reporting Entity*, is financial accountability. The majority of the commissioners of the Board are appointed by the Logan County Judge Executive subject to the approval of the Logan County Fiscal Court. The Commission can provide a financial benefit to or impose a financial burden on the primary government.

**BASIS OF ACCOUNTING**

The records of the Commission are maintained and the budgetary process is based on the modified accrual basis of accounting. Revenues (i.e., taxes) should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable.

**REVENUES — EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, available means expected to be received within 60 days of the fiscal year-end.

**LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2002**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Non-exchange transactions, in which the Commission received value without directly giving equal value in return, include transient room taxes, grants, entitlement and donations. On the modified accrual basis, revenue from transient room taxes is recognized in the period when the exchange transaction on which the tax is imposed occurs. Revenue from grants, entitlement and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. Revenues from non-exchange transactions must also be available before it can be recognized.

**BUDGETARY PROCESS**

Budgetary Basis of Accounting: The Commission's budgetary process accounts for certain transactions on a basis other the GAAP. The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The Commission is required by the county to adopt an annual budget.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.



**LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2002**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

**INCOME TAXES**

The Commission is exempt from federal and state income taxes under Section 501 of the Internal Revenue Code.

**NOTE 2: DEPOSITS**

At June 30, 2002, the carrying amount of the Commission's deposits was \$16,787 and the bank balance was \$17,336, which was covered by federal depository insurance.

**NOTE 3: CHANGES IN ACCOUNTING STANDARDS**

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. It will create new information and will restructure much of the information that governments have presented in the past. It establishes that the basic financial statements and required supplementary information for the general purpose governments should consist of:

- ✓ Management's discussion and analysis (MD&A)
- ✓ Basic financial statement:
  - Government-wide financial statements
  - Governmental funds financial statements
- ✓ Notes to the financial statements
- ✓ Required supplementary information (RSI)

**LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**  
**A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2002**

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**NOTE 3: CHANGES IN ACCOUNTING STANDARDS**  
**(Continued)**

GASB Statement No. 34 is effective in three phases based on total annual revenues of the primary government's governmental and proprietary funds reported for the fiscal year ended June 30, 1999. GASB Statement No. 34 is effective for the Commission for the fiscal year beginning July 1, 2003 or July 1, 2002 depending on the date Logan County, Kentucky, primary government, adopts the new standard. The effect GASB Statement No. 34 has on the Commission has not yet been determined.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Commissioners  
Logan County Tourist and  
Convention Commission  
Russellville, Kentucky

We have audited the financial statements of ***Logan County Tourist and Convention Commission***, a component unit of Logan County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

- **Compliance**

As part of obtaining reasonable assurance about whether ***Logan County Tourist and Convention Commission's*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

- **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered ***Logan County Tourist and Convention Commission's*** internal control over financial reporting in order to

Commissioners  
Logan County Tourist and Convention Commission

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determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of ***Logan County Tourist and Convention Commission***, in a separate letter dated October 23, 2002.

This report is intended solely for the information and use of the Commissioners, management and federal and state agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Holland CPAs, PSC*

Russellville, Kentucky  
October 23, 2002



**Holland CPAs**  
Professional Service Corporation

Commissioners  
Logan County Tourist and  
Convention Commission  
Russellville, Kentucky

In planning and performing our audit of the financial statements of ***Logan County Tourist and Convention Commission*** (the "Commission") for the year ended June 30, 2002, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. A separate report dated October 23, 2002 contains our report on the Commission's internal control. This letter does not affect our report dated October 23, 2002 on the financial statements of the Commission.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with Commissioners, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

*Holland CPAs, PSC*

Russellville, Kentucky  
October 23, 2002

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# **LOGAN COUNTY TOURIST AND CONVENTION COMMISSION**

## **COMMENTS AND RECOMMENDATIONS**

**For the Year Ended June 30, 2002**

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- Essentially all accounting functions are performed by one person. This includes maintenance of journals and cash receipts and disbursements. Many of these duties are incompatible from a control perspective because they allow one person to initiate, authorize and record the same transaction. We recommend that someone other than the bookkeeper should receive the unopened bank statement and review the deposits and checks monthly for any discrepancies.
- The Commission should receive a monthly itemized list from the Fiscal Court indicating the entities which have remitted the transient room tax. This will help the Commission monitor the money being submitted from the Fiscal Court and any delinquent establishments.

